

EXHIBIT 1

INTRODUCTION

Respondent George Runner (“Runner”) was a member of the California State Assembly from 1996 – 2002. Respondent Friends of George Runner (“Committee”) was Respondent Runner’s controlled committee, which was formed on or about January 9, 1998 and terminated on or about December 6, 2004. Respondent Rita Burleson (“Burleson”) served as Respondent Committee’s assistant treasurer from approximately February 16, 2001 until Respondent Committee terminated.

This case arose from an audit of Respondent Committee by the Franchise Tax Board (“FTB”) for the reporting period January 1, 2001 through December 31, 2004. During the period covered by the audit, Respondent Committee received approximately \$120,389 in contributions and made approximately \$141,749 in expenditures.

The Political Reform Act (the “Act”)¹ limits the use of campaign funds that have become surplus. The FTB found that Respondents Runner, Committee, and Burleson improperly used surplus campaign funds to make three contributions to candidates for state office.

For the purposes of this stipulation, Respondents’ violations of the Act are stated as follows:

COUNT 1: During the reporting period from January 1, 2003 through June 30, 2003, Respondents George Runner, Friends of George Runner, and Rita Burleson made three contributions to candidates for elective office from campaign funds that had become surplus, in violation of section 89519.

SUMMARY OF THE LAW

Use of Surplus Campaign Funds

Section 89519, subdivision (a), defines surplus funds as funds remaining in a campaign account when an elected official leaves office or at the end of the post-election reporting period following the defeat of a candidate for elective office, whichever occurs last. Section 89519 also governs the disposition of surplus funds by means of a list of permissible uses for such funds. Contributions to campaign committees are permissible

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of title 2 of the California Code of Regulations. All regulatory references are to title 2, division 6 of the California Code of Regulations, unless otherwise indicated.

only if made to support or oppose any candidate for federal office, any candidate for elective office in a state other than California, or any ballot measure.

Under regulation 18951, subdivision (a)(1), an incumbent candidate who wishes to use campaign funds for a future election must transfer those funds to a new committee for a future election no later than the date on which the funds become surplus.

Treasurer Liability

Under section 81004, subdivision (b), section 84100, and regulation 18427, subdivision (a), it is the duty of a committee's treasurer to ensure that the committee complies with all of the requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds. A committee's treasurer may be held jointly and severally liable, along with the committee, for any reporting violations committed by the committee. (Sections 83116.5 and 91006.)

SUMMARY OF THE FACTS

Respondent Runner was a member of the California State Assembly from 1996 – 2002. Respondent Committee was Respondent Runner's controlled committee. Respondent Burleson served as Respondent Committee's assistant treasurer. The FTB initiated an audit of Respondent Committee's finances for the period January 1, 2001 through December 31, 2004. During the period covered by the audit, Respondent Committee received approximately \$120,389 in contributions and made approximately \$141,749 in expenditures.

COUNT 1

Improper Use of Surplus Funds

Respondent Runner was termed out of the office of State Assembly in November 2002, which is also when Respondent Committee's campaign funds became surplus. Pursuant to section 89519 and regulation 18951, Respondents Runner, Committee, and Burleson were not permitted to use Respondent Committee's surplus funds to make contributions to candidates for elective office, or to transfer funds to Respondent Runner's committee for State Senate after that time.

During the campaign reporting period from January 1, 2003 through June 30, 2003, Respondents made three contributions totaling \$5,700 to candidates for elective office from campaign funds that had become surplus. Respondents made a \$5,000 contribution to George Runner for Senate 2004 committee, a \$500 contribution to Sharon Runner for Assembly, and a \$200 contribution to Richard Loa for Palmdale City Council. When queried by the FTB auditor about the violation, Respondent Burleson stated that the Committee misunderstood the definition of surplus funds when making the candidate contributions.

Respondents subsequently voluntarily returned the \$5,000 from Respondent Runner's Senate 2004 committee, and properly dispersed the funds pursuant to section 89519, subdivision (b).

By using surplus funds to make contributions to candidates for elective office, Respondents violated section 89519.

CONCLUSION

This matter consists of one count of violating the Act, which carries a maximum administrative penalty of Five Thousand Dollars (\$5,000).

In determining the appropriate penalty for a particular violation of the Act, the Enforcement Division considers the typical treatment of a violation in the overall statutory scheme of the Act, with an emphasis on serving the purposes and intent of the Act. Additionally, the Enforcement Division considers the facts and circumstances of the violation in context of the factors set forth in regulation 18361.5, subdivision (d)(1)-(6): the seriousness of the violations; the presence or lack of intent to deceive the voting public; whether the violation was deliberate, negligent, or inadvertent; whether the Respondent demonstrated good faith in consulting with Commission staff; whether there was a pattern of violations; and whether the Respondent, upon learning of the violations, voluntarily filed appropriate amendments to provide full disclosure.

Respondents made three contributions totaling \$5,700 to candidates for elective office from campaign funds that had become surplus, \$5,000 of which went to Respondent Runner's 2004 Senate campaign committee. Respondent Burleson stated that the Committee misunderstood the definition of surplus funds when making the candidate contributions. However, section 89519, which defines when campaign funds become surplus and sets forth permissible uses is clear, and regulation 18951 clearly states that an incumbent candidate must transfer campaign funds to be used for a future election before they become surplus. In mitigation, the contributions were correctly reported and it appears there was no intent to conceal them. Additionally, Respondents voluntarily returned the \$5,000 in surplus funds contributed to George Runner for Senate – 2004 to Respondent Committee, and properly dispersed the funds pursuant to section 89519. Based on the foregoing, imposition of an administrative penalty in the amount of \$2,500 for this violation is appropriate.

Accordingly, the facts of this case justify a total administrative penalty of Two Thousand Five Hundred Dollars \$2,500 for Respondents' violation of the Act.